
Intelligent Target Savings

Status of Harvest

Brief to Sea Enterprise Board of Directors

Business Sensitive - Draft Working Papers

June 24, 2004

Review Findings

- ❑ SE BOD on 25 March 04 approved “Green” or “Yellow” savings initiatives valued at **\$ 2.6B/12.9B (FY06/FYDP)**
- ❑ 24 May FMB Submission includes **\$ 2.5B/\$17.2B** of SE savings
 - Equals 2.4% of PB05 FYDP baseline
- ❑ **Composition of savings harvest is very different from what SE BOD approved in March**
 - Retained **\$ 1.6B/ 7.3B** of 25 Mar SE BOD savings initiatives
 - Added **\$.9B/9.9B** of new savings initiatives
- ❑ **Reasons for revisions:**
 - **\$.7B/4.2B (33%)** of the savings were withdrawn or rejected
 - **\$.4B/1.4B (11%)** of savings were repriced by BSO to reflect current budget guidance or more realistic cost assumptions
- ❑ **All SE savings used - No SE Savings available to pay for recap, modernization, or external bills**
 - ❑ SE Savings used to achieve balance within and across SPPs

- ❑ **VCNO/ASN(RD&A) letter of 28 Jan 04 set baseline and targets**
- ❑ **Domain/Echelon II Target Briefs presented to 2-Star/SES Review Panel during Mar 10-19**
 - **Membership: N8, N4, N6/7, N1 N095, FFC, ASN(RDA), NAVAIR and NAVSEA**
- ❑ **SE BOD approved on 25 Mar 04 savings initiatives valued at \$ 2.6B/12.9B (FY06/FYDP)**
 - **\$ 1.7B/6.4B “Green” proposals**
 - **\$.9B/6.5B “Yellow” proposals**
- ❑ **Sponsors directed to incorporate savings into 24 May 04 FMB Submission**
- ❑ **N8 directed to track and report on harvest status**

Definitions

	<u>Category</u>	<u>Conditions</u>
Budget Submitting Offices	Repriced: \$ 1.4B	- Statement by BSO - A27 submit > SE BOD estimate - Any change in net savings > 0
	Withdrew: \$ 3.0B	- Statement by BSO - A27 submit = 0
	New: \$ 9.9B	- Initiative submitted for first time in A24 or A27 submit
Resource Sponsors	Rejected: \$ 1.2B	- Statement by Resource Sponsor - A24 submit = 0
	Used: \$ 17.2B	- "Accepted in core" (N6/7) or "requirements reduction" (N4) statement by resource sponsor - Any change in savings > 0

How Large Was the Overall Savings Harvest?

EXHIBIT Summary

BSO	SE BOD Savings	BSO Repriced	BSO Withdraw	BSO New	Sponsor Rejected	Sponsor New	Total Savings
BUMED	39.8	-9.3	---	---	---	7.1	37.6
CFFC	3,596.2	492.0	-1,555.2	2,353.2	-970.0	1,289.9	5,206.0
CNE	161.9	-42.5	---	---	---	11.1	130.5
CNI	3,281.1	-1,042.0	---	154.6	---	299.1	2,692.7
CNP	156.0	-50.3	-32.5	7.1	---	112.7	193.0
CNR	211.9	28.6	-30.3	---	-209.3	---	0.9
CNRF	460.3	-181.8	---	---	112.1	45.7	436.2
CNSG	110.7	15.1	---	---	---	11.7	137.5
FSA	268.6	---	-2.1	---	---	217.8	484.3
NAVAIR	1,562.3	-410.7	-760.5	445.2	---	600.2	1,436.5
NAVFAC	613.6	-29.6	-62.0	---	---	7.1	529.1
NAVSEA	1,170.6	-23.3	-288.7	265.0	-15.4	3,365.0	4,473.3
NAVSUP	73.0	0.1	---	---	---	---	73.1
NETC	463.0	-13.8	---	---	---	---	449.2
ONI	26.1	2.4	-2.7	---	---	0.6	26.4
SPAWAR	578.2	-100.9	-290.7	41.8	-133.9	354.8	449.2
SSP	158.0	---	---	221.0	---	---	379.0
Undistributed	-6.4	---	---	---	---	66.4	66.4

includes \$ 9.9B in additional new savings - outside SE BOD process

What Happened to the Original SE BOD Initiatives?

EYDP Savings

BSO	SE BOD Savings	BSO Repriced	BSO Withdrawn	BSO New	Sponsor Rejected	Sponsor New	Total Savings
BUMED	39.8	-9.3	---	---	---	---	30.5
CFFC	3,596.2	492.0	-1,555.2	---	-970.0	---	1,562.9
CNE	161.9	-42.5	---	---	---	---	119.4
CNI	3,281.1	-1,042.0	---	---	---	---	2,239.1
CNP	156.0	-50.4	-32.5	---	---	---	73.1
CNR	211.9	28.6	-30.3	---	-209.3	---	0.9
CNRF	460.3	-181.8	---	---	112.1	---	390.5
CNSG	110.7	15.1	---	---	---	---	125.8
FSA	268.6	---	-2.1	---	---	---	266.5
NAVAIR	1,562.3	-410.7	-760.5	---	---	---	391.1
NAVFAC	613.6	-29.6	-62.0	---	---	---	522.0
NAVSEA	1,170.6	-23.3	-288.7	---	-15.4	---	843.2
NAVSUP	73.0	0.1	---	---	---	---	73.1
NETC	463.0	-13.8	---	---	---	---	449.2
ONI	26.1	2.4	-2.7	---	---	---	25.8
SPAWAR	578.2	-100.9	-290.7	---	-133.9	---	52.6
SSP	158.0	---	---	---	---	---	158.0
Undistributed	---	---	---	---	---	---	---

New Initiatives

Major Initiatives

How Was the Savings Harvest Used?

Over Program Details

Then-Year Dollars - Millions

Process	'06	'07	'08	'09	'10	'11	FYDP
PB05 Baseline	107,754	111,506	117,983	128,063	131,160	134,282	730,748
Revised Budget	110,729	116,502	120,044	132,066	134,706	137,802	751,849

Percent of PB05

+ 2.9 %

+ 1.8 %

+ 2.4 %

+ .5 %

Over Program 2,974 4,996 2,062 4,002 3,546 3,520 21,101

Sea Enterprise Savings

SE BOD Approvals	2,619	1,586	1,307	2,522	2,553	2,344	12,931
Repriced by BSO	-365	57	-605	75	-321	-207	-1,366
Withdrew by BSO	-588	-260	-85	-732	-736	-625	-3,025
Rejected by Sponsor	-112	-187	-205	-243	-245	-226	-1,217

Total Reductions -1,064 -390 -895 -900 -1,301 -1,057 -5,608

Additional New Initiatives	938	1,209	1,428	1,887	2,248	2,167	9,877
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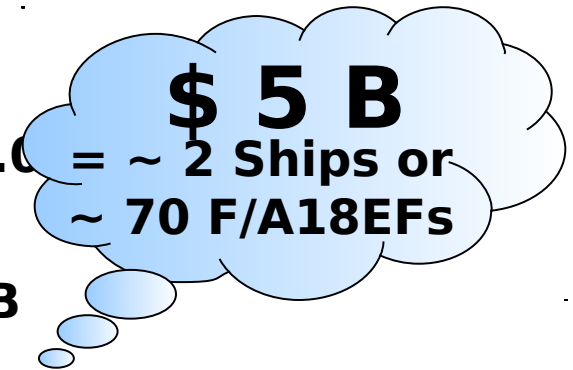
Total Available SE Savings 2,492 2,405 1,841 3,509 3,500 3,454 17,201

Over Program	2,974	4,996	2,062	4,002	3,546	3,520	21,101
Available SE Savings	2,492	2,405	1,841	3,509	3,500	3,454	17,201

All SE savings used ... No SE savings available to pay for recap, modernization, or external bills.

❑ Alternative I - Conduct additional reviews to recover lost savings

- Withdrawn SE BOD initiatives - \$.6B/3.0 = ~ 2 Ships or ~ 70 F/A18EFs
- Rejected SE BOD initiatives - \$.1B/1.2B
- Repriced SE BOD initiatives - \$.4B/1.4B



❑ Alternative II - Direct BSO/Sponsors to identify additional new savings to offset \$ 5.4B in savings “lost”

Savings recovered above will be used to pay for additional recap, modernization, and external bill ...

... and to achieve the vision established by SE BOD in Jan 04.

Final Thoughts

Glass Half Full

- **Saved \$17B over FYDP, and used it to achieve balance.**
- **Navy personnel throughout the SEA Enterprise are working hard to change processes and reduce costs of Navy operations... Change is hard, and often slow.**

Glass Half Empty

- **5% Target not met 1% saved from original proposals**
- **Approved Initiatives not carried out ... BSO/Sponsors empowered to change, drop or switch proposals**
- **Enterprise focus is absent ... Near-term dominates long-term.**
- **Process lacks discipline and continuity across PPBES cycles and decisions.**
- **Accomplishments are marginal, and not much different than the past decades - where is the transformation of the process?**
- **Financial health of the Navy has not changed very much since SE BOD started.**



BACKUP

Where Did the New Savings Come From?

FYDP Savings

BSO	SE BOD Savings	BSO Repriced	BSO Withdrawn	BSO New	Sponsor Rejected	Sponsor New	Total Savings
BUMED				---	---	7.1	7.1
CFFC				2,353.2	-1.4	1,289.9	3,642.7
CNE				---	---	11.1	11.1
CNI				154.6	---	299.1	453.6
CNP				7.2	---	112.7	119.9
CNR				---	---	---	---
CNRF				---	---	45.7	45.7
CNSG				---	---	11.7	11.7
FSA				---	---	217.8	217.8
NAVAIR				445.2	---	600.2	1,045.4
NAVFAC				---	---	7.1	7.1
NAVSEA				265.0	---	3,365.0	3,630.0
NAVSUP				---	---	---	---
NETC				---	---	---	---
ONI				---	---	0.6	0.6
SPAWAR				41.8	---	354.8	396.6
SSP				221.0	---	---	221.0
Undistributed				---	---	66.4	66.4

What Major Initiatives Were Withdrawn or Rejected?

Initiatives Withdrawn

Initiatives Rejected

	<u>FYDP Savings</u>		<u>FYDP Savings</u>
• Optimal Manning • Reduced Missile Firing • COMMS OMN Mitigation Assessment • LCC-19 to MSC	\$ - 814 M	• Hospital Ship Decomm • ARS Transfer to MSC • Reduce Active Tender Mob Capability • LCC-20 to MSC	\$ - 326 M
	\$ - 198 M		\$ - 211 M
	\$ - 184 M		\$ - 212 M
	<u>\$ - 173 M</u>		<u>\$ - 136 M</u>
• AirSpeed Area Command Transformation • Reduce Air Systems Support • NAWC Corp Ops & Comptroller	\$ - 283 M		\$ - 885 M
	\$ - 1,369 M		
	\$ - 151 M		
	<u>\$ - 135 M</u>		

\$ - 569
M(Cont'd)

What Major Initiatives Were Withdrawn or Rejected? (Cont'd)

	Initiatives Withdrawn	Initiatives Rejected
NAVSEA	<u>FYDP Savings</u> • NSWC Efficiencies \$ - 212 M • NUWC Efficiencies \$ - 54 M • Sub ACINT Data Reduction <u>\$ - 22 M</u> \$ - 288 M	<u>FYDP Savings</u>
SPAWAR	• MLDN \$ - 120 M • NGDS \$ - 35 M • Single Acq Engr Module <u>\$ - 22 M</u> • PWS 165 Acq Contract Savings <u>\$ - 20 M</u>	
CNR		• N091 Navy S&T Program \$ - 170 M • Other ONR "Blue" RDTEN <u>\$ - 39 M</u> • Other ONR "Blue" RDTEN \$ - 209 M

Program Changes

Then-Year Dollars - Millions

Process	'06	'07	'08	'09	'10	'11	FYDP
Technical Corrections (A10,20)	637	636	573	637	565	521	3,570
Program Wholeness Issues (A21)	821	917	909	947	1,219	1,054	5,867
Integrated Capability Issues (A22)	742	654	2,143	879	1,172	482	6,073
Pricing Validation Team Issues (A23)	466	1,362	2,286	1,313	-327	-1,655	3,445
Sponsor End-Game Adjustments (A25)	-742	-1,577	-2,287	-1,201	-203	1,942	-4,068
Savings Benefits Used	1,484	1,424	760	2,006	1,673	1,703	9,051
CNO Decisions (A30/A31)	-681	1,256	-3,178	-2,237	-2,249	-2,263	-9,351
OSD Bill	247	323	855	1,658	1,696	1,735	6,514
Total Program Changes	2,974	4,996	2,062	4,002	3,546	3,520	21,101